

CLASSIFICATION SECRET
CENTRAL INTELLIGENCE AGENCY
INFORMATION REPORT

REPORT

CD NO 25X1

COUNTRY East Germany

DATE DISTR 7 January 1955

SUBJECT Financial Situation of the Ministry of Machine Construction

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THIS IS UNEVALUATED INFORMATION

1. The 1954 Production Plan of the Ministry for Machine Construction underwent a number of changes during the summer of 1954. Finally, however, the Plan was approved by the State Planning Commission in September 1954. On this final Plan, the entire production (Warenproduktion) of all enterprises under the Ministry for Machine Construction for 1954 was to be 11.4 billion DME. This figure differs from the production figure provided in the Finance Plan which is part of the total Economic Plan. In this latter Plan, a total production amounting to only 10.9 billion DME was provided for. The production figure of 11.4 billion DME was arrived at by the Ministry for Machine Construction on the basis of reports from the individual enterprises, which insisted that they were able, with the material allotments assigned to them by the Material Plan, to exceed a production value of 10.9 billion DME. The discrepancy between the production estimates of the individual enterprises and the production estimates on which the Finance Plan was based, was caused by the following facts:
 - a. The material allotments for the enterprises, designated by the Material Plan, are calculated with the aid of the so-called material allotment key (Materialeinsatzschlüssel). This key was originally set up according to information obtained from the individual enterprises on the relation between materials and production. Most of the keys now valid were established in early 1954.
 - b. At that time, many materials were still in short supply, and the enterprises had an interest in exaggerating their need for materials and in overestimating their rate of production.
 - c. This situation changed in 1954, however, when the Ministry decided to cut the production rate, and, at the same time, to increase the profit rate of the enterprises. Since it was forbidden for the enterprises to fire workers, the only way of complying with the requested increase of profits was to extend production. The enterprises, therefore, in 1954, were interested in larger production with the same material allotments granted them by the Material Plan.

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- a. The material allotments for the enterprises, ~~calculated~~ ~~by the~~ Material Plan, are calculated with the aid of the so-called material allotment key (Materialeinsatzschlüssel). This key was originally set up according to information obtained from the individual enterprises on the relation between materials and production. Most of the keys now valid were established in early 1954.
- b. At that time, many materials were still in short supply, and the enterprises had an interest in exaggerating their need for materials and in overestimating their rate of production.
- c. This situation changed in ~~the summer of 1954~~ ~~when~~ the Ministry decided to cut the ~~profit rate~~ ~~at the same time~~, to increase the profit rate of ~~the enterprises~~ ~~since it was forbidden for the enterprises to fire workers, and the way of complying with the requested increase of profits was to expand production.~~ The enterprises, therefore, in 1954, ~~used~~ ~~larger production~~ ~~with the same~~ material allotments granted them by the Material Plan. Hence, the in-

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